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Testimony of John K. Hansen, President
Nebraska Farmers Union
RE: 2007 Farm Bill Listening Session
August 31, 2005
Agricultural Hall, Nebraska State Fair, Lincoln, Nebraska Farmers Union

Governor Heineman, Nebraska Director of Agriculture Ibach, distinguished guests, and fellow farm and commodity leaders, thank you for the opportunity to appear before you today and share a few of my organization's preliminary views on the upcoming Farm Bill.

My organization believes that the current Farm Bill has been a colossal failure for family farmers. Our farm commodity prices have collapsed to price levels of over 50 years ago. For example, today, the cash price for corn in my hometown elevator of Newman Grove is $1.61per bushel. That is 5 cents lower than the average national price of corn was for year 1951, the year I was born. That is 54 years ago. The consumer price index (CPI) inflation rate to convert 1951 to 2005 inflation adjusted constant dollars is a factor of 7.52 times. That means if $1.66 per bushel corn in 1951 is adjusted to 2005 inflation adjusted constant dollars; corn should be $12.48 per bushel. The cost of diesel fuel used for irrigation pumping and farm use from Newman Grove was $2.06 per bushel.

Most ag economists forget to adjust agricultural prices for inflation. Most agricultural inputs, the cost of living itself, and the retail price of food have all kept pace with the CPI and the price of inflation. The reason family farmers are being forced out of business is because we are not getting paid any semblance of a fair price for our agricultural products. Our nation's farm and trade policy not only does not focus on trade, it does not even consider it.

Our nation's trade and farm policy needs a massive overhaul, not a minor tune-up. When public policies are working well, they should be fine-tuned. When public policies are an across the board disaster, they must be overhauled. Our nation's farmers cannot afford a new Farm Bill that is a poorly funded version of the current Farm Bill that is an economic disaster.

The skyrocketing price of energy and energy related inputs will put thousands of family farmers and ranchers out of business this fall and winter. Something must be done, and done soon.

In 2002, Nebraska Farmers Union developed a detailed title-by-title Farm Bill proposal, which was scored for both fiscal costs and economic outcomes. That proposal would have substantially raised farm commodity prices while costing less taxpayer money. In addition, farmers would not only have gotten more farm income, they would have gotten in the market place, which is how the overwhelming majority of farmers prefer to be compensated for their agricultural production. Farmers do not enjoy being the butt of cruel and demeaning jokes that characterize the current decoupled income transfer payments as being welfare like "subsidies

There is no doubt that decoupled income transfer payments have been a public perception disaster for production agriculture. The press focuses on the size of the payments, and who gets them. The press, and most public officials conveniently forget that it was the 1996 and 2002 Farm Bills that abandoned

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the traditional farm policy tools that have been used to provide for minimum prices for ag commodity prices, which then caused domestic farm prices to collapse.

How much have domestic agricultural commodity prices collapsed? Using 1996 as a base of comparison, the National Agricultural Statistics Service data shows that the value of our nation's corn, soybeans, wheat, cotton, rice, and grain sorghum crops has declined an average of $13.94 billion for crop years 1997 thru 2004, a whopping 22.34% collapse. The cumulative loss for the 1997 to 2004 years for the six crops was $111.51 billion. That 111.51 billion of crop value did not go into farmers pockets, small town and rural businesses, and did not generate the base line economic activity that should have grown jobs, and local, state, and national tax revenues.

The collapse of domestic crop values helped fuel the corresponding collapse of the balance of ag trade from 1996 thru 2005. In 1996, the U.S. enjoyed a positive balance of ag trade advantage of $27.4 billion. It is projected to be zero by the end of 2005.

Let us not forget that in 1996 there was a gigantic public policy battle between our nation's two largest general farm organizations, the American Farm Bureau Federation, and the National Farmers Union. Farm Bureau won, and Farmers Union lost. As a result, the most radical changes in the fundamental structure of domestic farm programs were made dating back to the inception of Farm Programs in 1933. In 2002, several minor, yet helpful changes were made to the basic 1996 Farm Program approach.

After 10 years of "real world" experience, it is time for an honest assessment of how that farm program approach has worked for family farmers. When the traditional, basic price impacting farm policy management tools, were abandoned, the highly concentrated, non competitive, U.S. based, international grain trade processors and exporters used their market depressing muscle to collapse domestic agricultural prices, allowing them to buy U.S. produced ag commodities for much less money, and to also use the collapsed U.S. commodity prices to drag world ag commodity prices down, allowing them to buy the foreign produced ag commodities for much less money as well. While family farmers and ranchers in the U.S. and around the world have seen their ag commodity prices collapse, the grain traders have laughed all the way to the bank with their windfall profits.

Tragically, the press, and most public officials continue to focus on the size of the farm income support payments that are made, but virtually no one focuses on how much farm income and ag commodity price was taken directly out of farmer's pockets by virtue of the structure of our nation's farm programs. By the way, federal farm program income transfers for the six crops listed above does not equal the amount of market place value lost for those crops.

In 1996, our nation's farmers were told not to worry about the prospect of lower ag commodity prices because our government would be there with them every step of the way to replace lost commodity price incomes with income transfers from the federal government, if and when lower commodity prices happened.

Lower commodity prices have, and will continue to happen, just as the grain traders who designed our current farm program structure intended. So, what then is the response of the Bush Administration?

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The Bush Administration brought forward a trade proposal at the recent WTO negotiations at Cancun, Mexico that would have cut the current $19.1 billion of domestic AMS-Agricultural Measure of Support-cap down to $11 billion, nearly in half. If the U.S. had been successful at Cancun, the domestic income supports paid to U.S. farmers would have been cut nearly in half. Since 1996, approximately half of net farm income has come from government income transfers. That means, if farm income transfers were cut in half, net farm income would be reduced by about one fourth. Even more troubling, is the recent statements made by President Bush to the G-8 Conference in England where he offered to surrender all farm income supports.

Our nation's current farm and trade policy is not only destroying our traditional system of family farm agriculture in the United States, it is also helping destroy family farm agriculture around the world. Our trade policy determines the economic policy direction of and legal structure for our domestic farm programs. Those trade policies are primarily driven by a handful of U.S. based international agricultural processors and exporters. They consistently put the international interests of their international companies ahead of the best interests of U.S. family farmers, ranchers, or consumers.

The focus of Farm Bill discussion should be on how to re-think, and re-structure farm programs so that family farmers get paid a fair price for their production so there is no longer a need for so called ag subsidies in the first place.

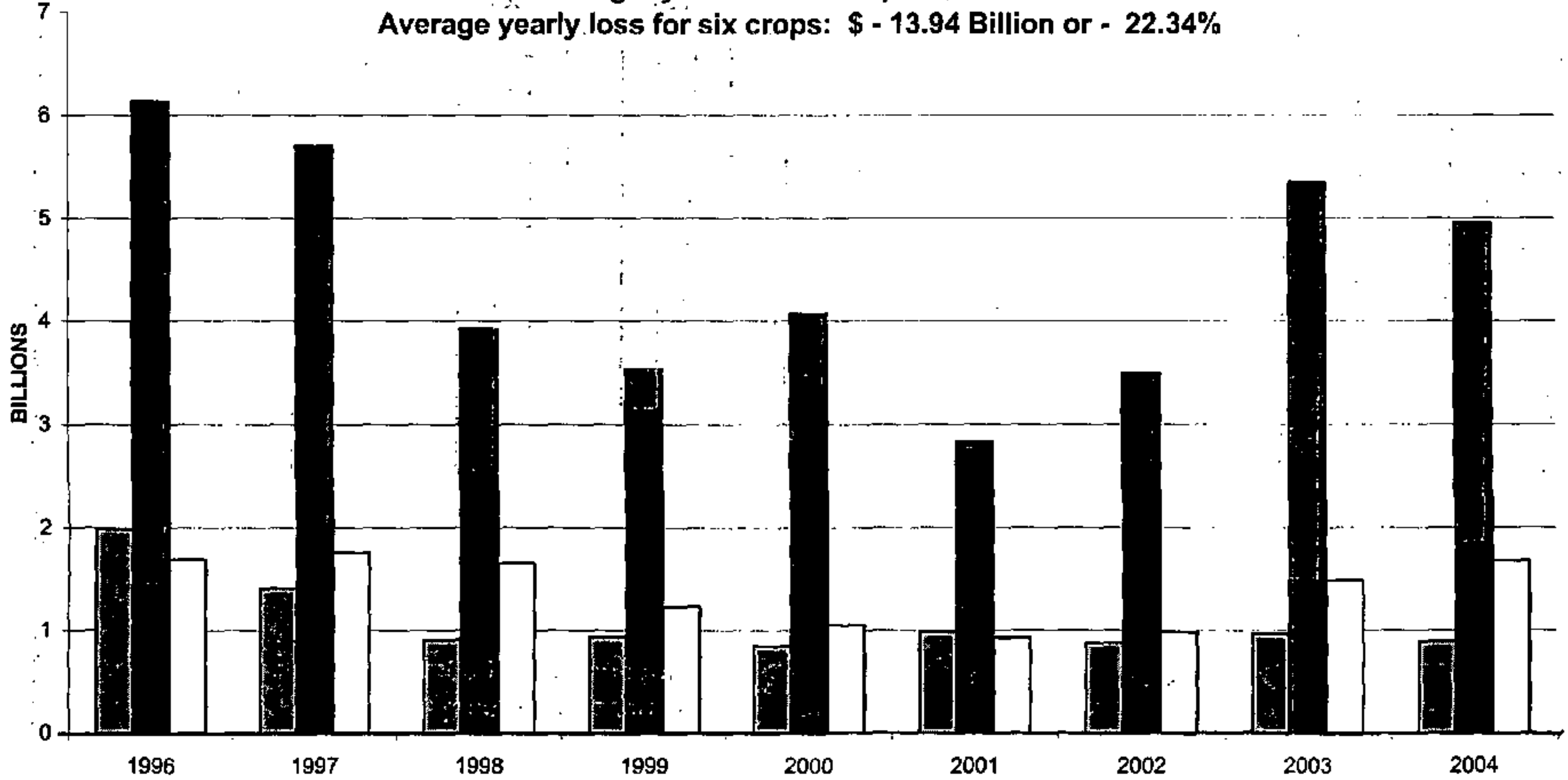
When we get the economic basics fixed, then ask us about title-by-title particulars of what a good Farm Bill should have. First things first. Earned income for farmers should be first and foremost.

Thank you for this opportunity to appear before you today.

Decline of Total Crop Values: 1996-2004

Prepared by Nebraska Farmers Union from March, 2005 USDA/ERS data.
For more information, call: (402) 476-8815 or visit our
website: www.nebraskafarmersunion.org

Total loss over eight years for six crops: $ - 111.51 Billion
Average yearly loss for six crops: $ - 13.94 Billion or - 22.34%



GRAIN SORGHUM - Total Loss 1997-2004: $8.16B Ave.Loss/YR: $1.02B
COTTON - Total Loss 1997-2004: $16.02B Ave.Loss/YR: $2.002B
RICE - Total Loss 1997-2004: $2.62B AveLoss/YR: $.330B

Decline of Total Crop Values: 1996-2004

Prepared by Nebraska Farmers Union from March, 2005 USDA/ERS data.
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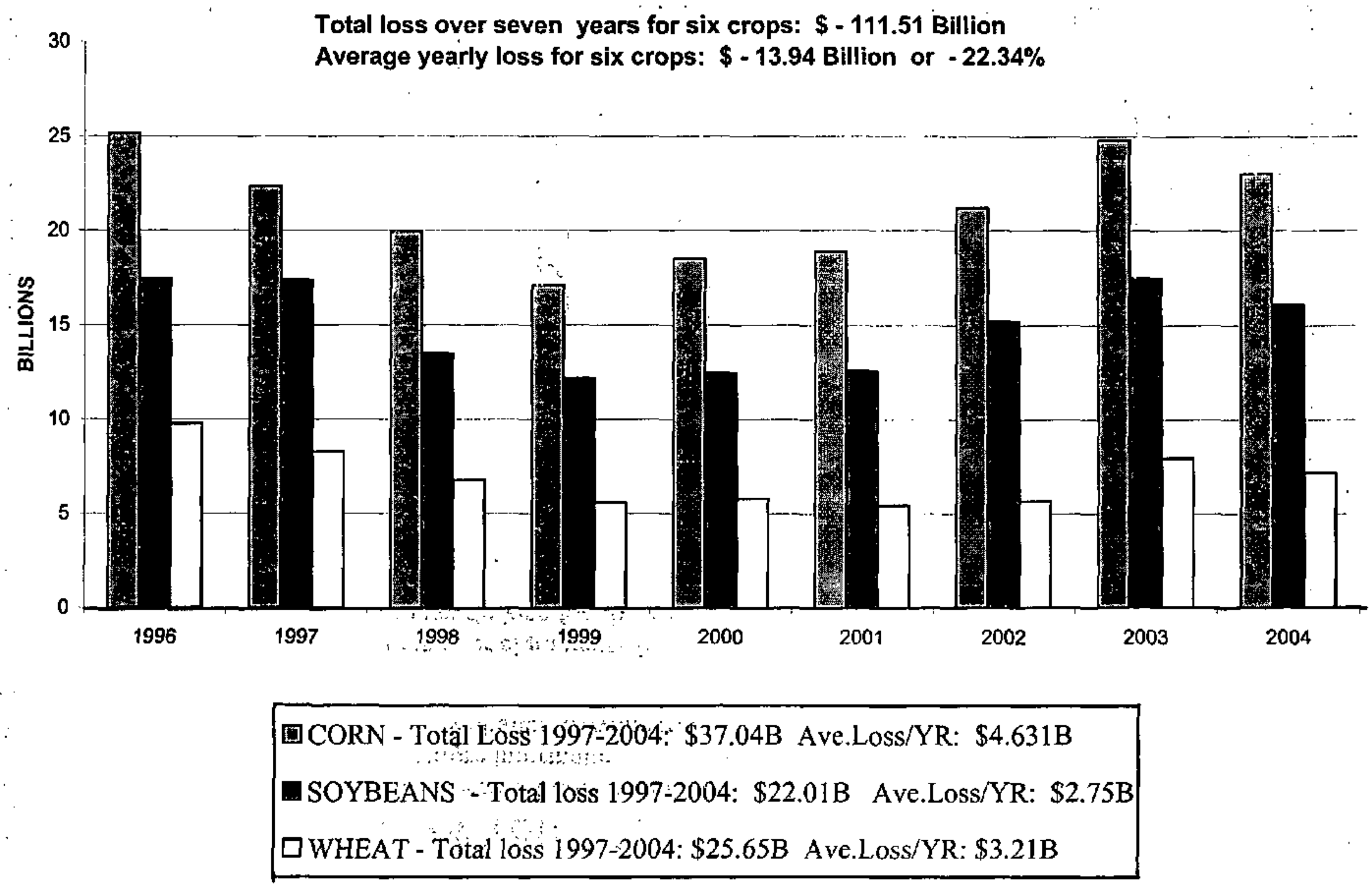

OUTLOOK for U.S. Agricultural Trade

U.S.Agriculture Trade, fiscal years 1995-2004, year ending September 30

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Forecast Fiscal Year 2005	
											Aug	Nov
Exports	54.6	59.9	57.4	53.6	49.1	50.7	52.7	53.3	56.2	62.3	57.5	56.0
Imports	29.9	32.5	35.7	36.8	37.3	38.9	39.0	41.0	45.7	52.7	55.0	56.0
Balance	24.7	27.4	21.7	16.8	11.8	11.8	13.7	12.3	10.5	9.6	2.5	0.0

(Billion Dollars)

Sources: U.S. Department of Agriculture and Bureau of Census, U.S. Department of Commerce.

1996 vs. 2004

Export Value = +$2.4 Billion + 4.0%
Import Value = +$20.2 Billion + 62.2%
Balance of Ag Trade = -$17.8 Billion - 65.0%

NFU president: Farm policy linked to collapsing grain prices

By Robert Pore
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Publication Date: 08/27/05

Collapsing grain prices as state farmers prepare for the upcoming harvest are the result of bad national farm policy, said Nebraska Farmers Union President John Hansen.

"Current national farm policy is a colossal failure," Hansen said.

For example, Hansen pointed to current corn prices at his hometown elevator in Newman Grove, which on Wednesday closed at $1.66 per bushel.

Hansen pointed out that he was born in 1951, and in that year, the average national price of corn was $1.66 per bushel.

"We cannot pay 2005 expenses to run our farms and ranches and raise our families, and get paid in 1951 dollars and expect to stay in business," he said. "That is a sad, obvious and tragic fact."

Roy Stoltenberg, who farms near Cairo, called the low corn prices and soaring gas prices a sad situation for area farmers.

"You go through $300,000 worth the input costs and by the time the years done all you have to show for it is you put another year on your income tax report," he said.

Stoltenberg said he can remember when anhydrous ammonia costs were $90 per ton and its now $400 per ton and possibly as high $500 per ton next year.

"The price of corn is now actually cheaper than back when I started farming more than 30 years ago," he said.

Larry Knuth, who farms south of Grand Island, said the collaspe of grain prices and surging energy costs are putting area farmers under a lot of pressure.

"You just don't know what you are going to have to do for next year," Knuth said. "Our input costs are sky high and the prices we are getting for our crop is unbeliveably low."

The question Knuth and other farmers are asking, "Why isn't something being done?"

He said if nothing is done and commodity prices continue to drop as input costs continue to rise, a lot of farmers many take advantage of current high land prices and get out of production agriculture altogether.

Hansen said the collapse of ag commodity prices documents the "economic foolishness" of the current national farm and trade policies.

"No other major sector of our economy that is still in business is getting paid the same prices for their production or services as they were 54 years ago," he said.

Citing Newman Grove's $1.66 corn price on Wednesday, Hansen said the low corn price "... is an indictment of the failure of our national farm and trade policy to focus on fair and appropriate prices for production agriculture."

"Farmers and ranchers take the most risk, do the most work, and unlike any other sector in the food economy, cannot either set the price of their own production, or pass their cost of production on to other the next player in the food economy. $1.66 corn in 2005 is somewhere between an insult and a disgrace," he said.

Hansen said his organization will be taking 10 farmers and ranchers to Washington, D.C., Sept. 11-14 to talk to lawmakers about the cost price squeeze farmers are in.

He said that while the Newman Grove corn bid was $1.66, the price of the diesel fuel used to pump irrigation water to thirsty crops was $2.06 per gallon.

"Our farm bill needs a massive overhaul, not a minor tuneup," he said. "The last thing farmers can afford these days is for their public officials to think collapsing domestic grain prices and skyrocketing energy and fuel prices are either approved or accepted by farmers and ranchers."

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